

The Central Government Office Estate Key Facts: 2016-17

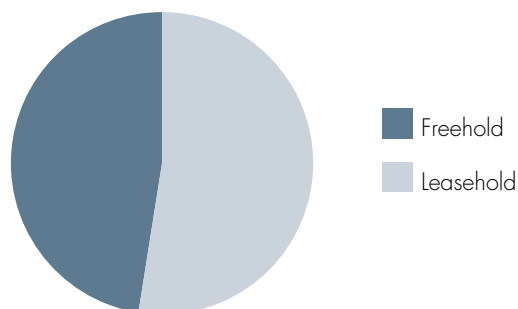


The number of buildings in the office estate has reduced by **10 per cent** (from 308 to 276) in the 3 years to 31 March 2015.

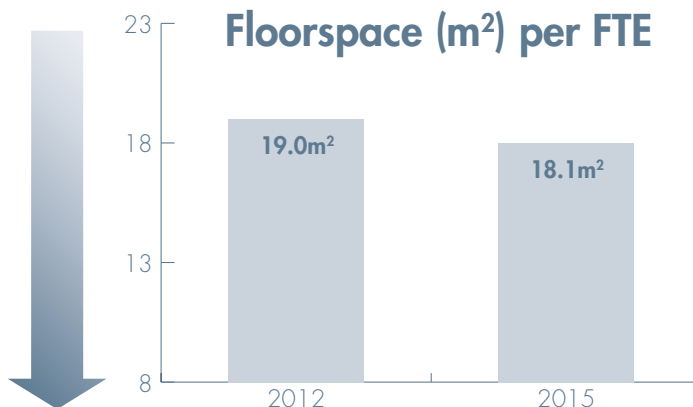
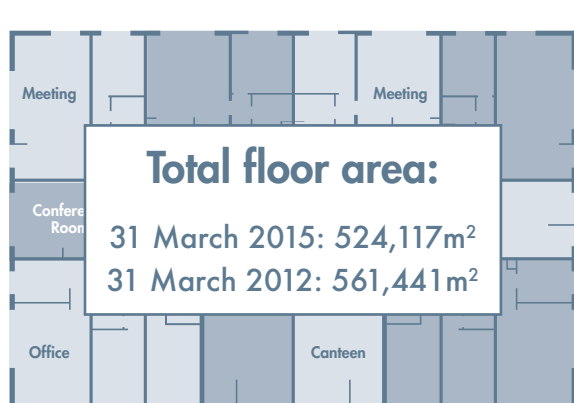
Estimated annual running costs **£96 million**.

Just over half of offices (or 144) are leasehold.

In the 3 years to 31 March 2015, the number of leasehold properties fell by **22 per cent** (40 buildings).



Cumulative savings of **£17.7 million** have been reported from exiting office accommodation leases since 2011-12.



At 31 March 2015, there were **6,382** free workstations within the office estate, an increase of **15 per cent** in three years.

The annual cost attributable to empty workstations is **£17.3 million**.

Properties Division manages almost half (**49 per cent**) of the central government office estate. This covers **63 per cent** of the total central government office estate floorspace.

Executive Summary

1. The Northern Ireland Central Government office estate consists of 276 offices owned, or leased, by 100 different public sector organisations and covering a total net internal floor area of almost 525,000 square metres (m²). Over half of the office estate buildings are leasehold¹. The remaining 48 per cent are freehold². Each year, it costs around £100 million to run the office estate.
2. Properties Division, within the Enterprise Shared Services (ESS) Directorate of the Department of Finance (DoF) (formerly the Department of Finance and Personnel (DFP)), managed almost half of the central government office estate buildings, incurring running costs of over £56 million. The remaining offices were managed by individual departments or other public sector bodies.
3. While no financial savings target has been set specifically in relation to the office estate, over the period from 1 April 2011 to 31 March 2016³, through property exits and the introduction of mandatory property controls, cumulative savings of almost £18 million have been generated. Property controls include arrangements for acquiring and renewing leases and imposing mandatory space standards in new and refurbished buildings (**Appendix 1**).

Key Findings

4. In this report, we welcome:
 - publication of the first region-wide Asset Management Strategy (the Strategy) in June 2013;
 - the generation of almost £18 million savings in the cost of managing the office estate over the five year period to 31 March 2016;
 - use of Invest to Save funding which is expected to generate annual savings of almost £5 million; and
 - Asset Management Unit (AMU) proposals to refresh engagement with departments over the two years to June 2018.
5. However, we highlight that various issues remain:
 - Although the Reform of Property Management (RPM) programme was established in December 2013 to support and deliver the recommendations of the Strategy, progress has been slow.
 - There is little evidence that public bodies are setting and reporting on performance against SMART targets or being challenged on their use of assets.

1 Leasehold: Method of owning property for a fixed term but not the land on which it stands. Possession of the property is subject to the payment of an annual ground rent. When the lease expires, ownership of the property reverts back to the freeholder.

2 Freehold: Outright ownership of the property and land on which it stands.

3 The Strategy anticipates that savings of £100 million will be generated across all property assets in the 10 years to 2021. This figure is not broken down across the various asset categories.

- The Department of Health (DoH) incurred irregular expenditure because, contrary to mandatory property controls, DoF approval for lease extensions was not sought in advance and not granted retrospectively.
- Properties Division has yet to introduce full cost recovery for government departments.

Overall conclusion on the extent to which Value for Money has been achieved

6. The current configuration of the office estate is not delivering value for money. The actions taken to improve management of the office estate are encouraging and we note that financial savings have been reported. In our view, however, progress has been too slow.
 7. It is imperative that the projects promised under the Reform of Property Management Programme are now progressed without delay, in order that assurances can be provided that the estate is managed effectively. While departments produce annual Asset Management Plans, the absence of a single, comprehensive office property asset register and weaknesses in target setting and reporting make it difficult to establish how effectively the office estate is managed.
 8. Opportunities exist to release significant, additional savings but these will only be maximised where more challenging and complex consolidation initiatives are considered and where public bodies explore alternative delivery models. In our view, DoF needs to take the lead and provide an effective 'Centre of Government' function for the office estate, while public sector bodies need to become much better at sharing asset-related information and embracing joined-up property management approaches.
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